

FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT

NORTH IOWA REGIONAL HOUSING AUTHORITY

September 30, 2008

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**TOSTRUD  
&**

**TEMP, S.C.**  
Certified Public Accountants

201 Main Street, Suite 210  
La Crosse, WI 54601  
Phone: 608-784-8060  
Fax: 608-784-8167

***Your Business Safety Net***

## INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
North Iowa Regional Housing Authority  
Mason City, Iowa

We have audited the accompanying proprietary fund statement of net assets of the North Iowa Regional Housing Authority as of September 30, 2008 and the related proprietary fund statements of revenues, expenses and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Housing Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and with Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the North Iowa Regional Housing Authority as of September 30, 2008 and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have issued a report dated June 5, 2009, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental information, including the Schedule of Expenditures of Federal Awards, required by the United States Office of Management and Budget (OMB) Circular A-133, and the Financial Data Schedule are presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the general purpose financial statements taken as a whole.

*Testrud & Temp, S.C.*

June 5, 2009

## MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2008

North Iowa Regional Housing Authority (NIRHA) operates under two Department of Housing and Urban Development (HUD) programs, providing income-based housing and rental assistance to lower income families residing in the northern Iowa counties of Cerro Gordo, Floyd, Franklin, Hancock, Kossuth, Mitchell, Winnebago, and Worth. The incorporated cities of Charles City, Mason City, and Riceville receive assistance from other housing authorities, and residents of those communities are ineligible for assistance from NIRHA. A governing board, consisting of commissioners appointed by Supervisors of each of the eight counties, hires an Executive Director to oversee the daily management of the housing authority and supervise the administrative and maintenance staff as they work toward achieving the housing authority's goals and mission.

*The mission of the North Iowa Regional Housing Authority is to assist low-income families with decent, safe and affordable housing opportunities as they strive to achieve self-sufficiency and improve the quality of their lives. The Housing Authority is committed to operating in an efficient, ethical, and professional manner. The Housing Authority will create and maintain partnerships with its clients and appropriate community agencies in order to accomplish this mission.*

The Public Housing (PH) Program provides assistance for low income families, elderly, and disabled persons in rental units owned and managed by NIRHA. Properties are located in ten northern Iowa communities. The units are designed to blend into and complement their respective neighborhoods. The units vary in bedroom sizes and range in style from duplexes and multi-family town houses with separate entrances to a multi-level apartment building. Capital improvement grants from HUD permit NIRHA to maintain the physical structure of the buildings and improve energy efficiency. Tenant rents are income based at approximately 30% of income. Since rental income is generally insufficient for NIRHA to operate the properties, HUD operating grants are used to provide a significant portion of the revenue gap.

The Housing Choice Voucher (HCV) program is designed to enable elderly, disabled, and low income families the ability to rent decent, safe, and sanitary housing. The HCV program permits participants to find an apartment or house from the private rental market. Participants' rent is income-based and initial lease-up rent does not exceed 40% of their adjusted monthly income. Participants pay their portion of the rent to their landlord, and the balance of the rent is paid by NIRHA directly to the landlord. HUD subsidizes 100% of the landlord payments made by NIRHA. HUD also provides a subsidy to NIRHA to defray costs of administering the program.

Operating and financial data for both PH and HCV programs is closely monitored by HUD via monthly and quarterly reporting. HUD reporting also includes tenant income eligibility and family data. On-site compliance reviews are periodically scheduled by HUD to validate report data and to insure program integrity.

North Iowa Regional Housing Authority's performance and goals are dedicated to complying with program administration regulations. NIRHA has developed a system of internal procedures to ensure that expenditures represent allowable costs and are properly documented and approved. Procedures also ensure that calculations related to rent subsidies are accurate and in accordance with federal regulations. Additional procedures are in place to ensure NIRHA is in compliance with state and local laws. Policies are continually reviewed for legal and regulatory changes as well as changes in circumstances.

NIRHA depends almost exclusively upon federal funding. Recently, Congress has been reluctant to increase funding for housing programs. A reduction in grants coupled with expected increases in fuel and material costs make it difficult to project the agency's financial needs in the next three to five years. Although NIRHA has carefully earmarked and used available HUD capital improvement funding to complete major public housing repairs and to make the units energy efficient, a reduction in federal funding could jeopardize future site improvements. The commissioners and management of NIRHA will continue to monitor funding trends and make the adjustments necessary to maintain financial stability.

## **2008 FINANCIAL INFORMATION**

The following pages contain a narrative overview and analysis highlighting key financial activities for the fiscal year ended September 30, 2008, with comparative data from the fiscal years ended September 30, 2007 and 2006 respectively. We encourage readers to consider this information in conjunction with the housing authority's audited financial statements.

The accompanying audited financial statements were prepared using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The **Statement of Net Assets** presents all of NIRHA's assets and liabilities, with the difference between the two reported as "net assets." Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of NIRHA is improving or deteriorating.

	2008	2007	2006
Current and other assets	\$ 766,930	\$ 819,100	\$1,265,911
Capital assets	<u>4,283,032</u>	<u>4,094,666</u>	<u>3,906,861</u>
Total assets	<u>\$5,049,962</u>	<u>\$4,913,766</u>	<u>\$5,172,722</u>
Short-term liabilities	\$ 225,099	\$ 171,718	\$ 143,691
Other liabilities	<u>0</u>	<u>0</u>	<u>0</u>
Total liabilities	<u>\$ 225,099</u>	<u>\$ 171,718</u>	<u>\$ 143,691</u>
Net assets:			
Invested in capital assets, net of related debt	\$4,283,032	\$4,094,666	\$3,906,861
Restricted	316,361	0	0
Unrestricted	<u>225,470</u>	<u>647,382</u>	<u>1,122,220</u>
Total net assets	<u>\$4,824,863</u>	<u>\$4,742,048</u>	<u>\$4,231,940</u>

- Assets exceeded liabilities by approximately \$4,825,000 as of September 30, 2008. The major component of assets is the investment in land, buildings, improvements, equipment, and construction in progress, net of depreciation. Current assets of \$781,000 comprise the other major asset component. Included in current assets is cash received from HUD and available for completed or nearly complete capital improvement projects at four public housing sites. Current assets in the HCV program are also large because cash received from HUD in previous years for voucher payments has not been spent for voucher program landlord payments. NIRHA is diligently working to increase the number of HCV units leased and thereby spending down the excess funds.

- Liabilities totaling approximately \$225,000 are all current, and are comprised mostly of accounts payable, construction contract retentions payable, and accrued expenses. NIRHA is fortunate to have no long-term debt.

The *Statement of Revenues, Expenses, and Changes in Net Assets* presents information showing how net assets changed during the most recent fiscal year, and compares the data to the prior fiscal year. All changes in net assets are reported when the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not impact cash flow until future fiscal periods.

	2008	2007	2006
Revenue by source			
Rents	\$ 129,809	\$ 101,307	\$ 139,655
Grants and contributions	1,239,390	1,130,038	1,916,445
Miscellaneous	16,845	33,299	12,336
Total revenues	<u>\$1,386,044</u>	<u>\$1,264,644</u>	<u>\$2,068,436</u>
Expenditures			
Administration	\$ 350,475	\$ 389,440	\$ 414,074
HAP payments	864,888	690,447	811,270
Depreciation	224,766	173,600	167,715
Maintenance and Other	219,323	215,950	296,798
Miscellaneous	12,570	36,760	4,505
Total expenses	<u>\$1,672,022</u>	<u>\$1,506,197</u>	<u>\$1,694,362</u>
Non operating revenues (expenses)			
Capital contributions	\$ 335,006	\$ 4,746	\$ 46,332
Other	33,787	48,109	22,880
Total non operating revenues	<u>\$ 368,793</u>	<u>\$ 52,855</u>	<u>\$ 69,212</u>
Extraordinary item	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 165,690</u>
Change in net assets	\$ 82,815	\$(287,033)	\$ 797,141
Net assets at beginning of year	\$4,742,048	\$5,029,081	\$4,231,940
Prior Period Adjustments	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Net assets at end of year	<u>\$4,824,863</u>	<u>\$4,742,048</u>	<u>\$5,029,081</u>

- Rental income from tenants residing in the public housing units owned by the housing authority, plus grants from HUD represent the majority of the operating revenue of NIRHA. Likewise, payments to landlords for tenants participating in the HCV program constitute the single largest operating expense. Administrative expenses, maintenance expenses, and depreciation comprise most of the remaining operating expenses.
- Combined operating revenues of the two programs operated by NIRHA increased 10%, or approximately \$121,000 from fiscal year 2007 to fiscal year 2008. This was mainly attributable to the increased PH rents and increased grant funding from HUD.
- Unit occupancy in public housing units has remained fairly stable. Rental income is subject to the ebb and flow of tenant income.
- Units served by the HCV program during fiscal years 2006 and 2007 dipped to low numbers while NIRHA continued working through compliance issues. Management revamped tenant screening processes, invested in staff training programs, and realigned staffing responsibilities in an attempt to reduce errors and reporting problems. The effects of the improved procedures became evident in 2007 and 2008 with increases in voucher program participants and resultant increases in the amount of payments to landlords. As the number of program participants increases, the dollar amount expended to landlords also increases. HUD provides funding based upon the number of HCV tenants and the dollar amount paid to landlords, so as expenses increase, revenues also increase. NIRHA is gradually increasing the number of units leased to the maximum units permitted by the agency's contract with HUD.
- NIRHA adopts annual operating budgets for the PH and HCV programs based upon expected federal grants awarded. All budgets are prepared on a basis prescribed by HUD which is materially consistent with accepted accounting principles. All annual appropriations lapse at calendar year-end. It is difficult to anticipate changing economic conditions which impact tenant incomes and thereby impacting the housing authority's budget. NIRHA continually searches for cost saving measures to minimize the effects of uncontrolled revenue reductions.

The financial reports are designed to present our citizens, taxpayers, customers, investors, creditors, and other users with a general overview of the housing authority's finances and operating activities. If you have any questions or require additional information, please contact:

North Iowa Regional Housing Authority  
 202 1<sup>st</sup> St., S.E., Suite 203  
 Mason City, Iowa 50401  
 641-423-0897

North Iowa Regional Housing Authority  
Mason City, Iowa  
STATEMENT OF NET ASSETS - PROPRIETARY FUND  
September 30, 2008

**ASSETS**

**Current assets**

Cash and cash equivalents	\$ 489,344
Investments	262,840
Accounts receivable	
Tenants, net of allowance	804
Other	2,408
Accrued interest	1,157
Deferred charges	<u>10,377</u>
Total current assets	766,930

**Property and equipment, net of accumulated depreciation**

4,283,032

**Total assets** \$ 5,049,962

**LIABILITIES AND NET ASSETS**

**Current liabilities**

Accounts payable	\$ 74,095
Contract retentions	83,953
Tenants security deposits	21,010
Accrued liabilities	43,497
Deferred credits	<u>2,544</u>
Total current liabilities	225,099

**Net assets**

Invested in capital assets	4,283,032
Restricted	316,361
Unrestricted	<u>225,470</u>
Total net assets	<u>4,824,863</u>

**Total liabilities and net assets** \$ 5,049,962

The accompanying notes are an integral part of this statement.

North Iowa Regional Housing Authority  
Mason City, Iowa  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUND  
Year ended September 30, 2008

Operating revenue	
Rental income	\$ 129,809
Intergovernmental	1,239,390
Other	<u>16,845</u>
Total operating revenue	1,386,044
Operating expense	
Administration	350,475
Tenant services	12,570
Utilities	32,759
Ordinary maintenance and operations	144,184
General	42,380
Housing assistance payments	864,888
Depreciation	<u>224,766</u>
Total operating expense	<u>1,672,022</u>
Operating income (loss)	(285,978)
Non-operating revenue	
Interest income	33,787
HUD capital grants	<u>335,006</u>
	<u>368,793</u>
Change in net assets	82,815
Net assets at October 1, 2007	<u>4,742,048</u>
Net assets at September 30, 2008	<u><u>\$ 4,824,863</u></u>

The accompanying notes are an integral part of this statement.

North Iowa Regional Housing Authority  
Mason City, Iowa  
STATEMENT OF CASH FLOWS - PROPRIETARY FUND  
Year ended September 30, 2008

Increase (Decrease) in Cash and Cash Equivalents

<b>Cash flows from operating activities</b>	
Cash received from tenants	\$ 132,641
Cash paid to suppliers and landlords	(1,099,529)
Cash paid to employees	(249,862)
Grants received from governmental units	1,188,711
Other income received	14,437
Net cash provided by (used in) operating activities	<u>(13,602)</u>
<b>Cash flows from investing activities</b>	
Net investment (purchases) redemptions	352,421
Interest income received	40,132
Net cash provided by (used in) investing activities	<u>392,553</u>
<b>Cash flows from capital and related financing activities</b>	
Capital expenditures	(395,234)
HUD capital grants received	335,006
Net cash provided by (used in) capital and related financing activities	<u>(60,228)</u>
Net increase (decrease) in cash and cash equivalents	318,723
Cash and cash equivalents at October 1, 2007	<u>170,621</u>
Cash and cash equivalents at September 30, 2008	<u>\$ 489,344</u>

Reconciliation of Operating Income (Loss) to Net Cash  
From Operating Activities

Operating income (loss)	\$ (285,978)
Adjustments to reconcile operating income (loss) to net cash from operating activities	
Depreciation	224,766
(Increase) decrease in accounts receivable	424
(Increase) decrease in deferred charges	(6,193)
Increase (decrease) in accounts payable	88,064
Increase (decrease) in tenants security deposits	3,122
Increase (decrease) in accrued liabilities	11,600
Increase (decrease) in deferred credits	(49,407)
Total adjustments	<u>272,376</u>
Net cash provided by (used in) operating activities	<u>\$ (13,602)</u>

The accompanying notes are an integral part of this statement.

North Iowa Regional Housing Authority  
Mason City, Iowa  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2008

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the North Iowa Regional Housing Authority conform to generally accepted accounting principles as applied to governmental units. The following is a summary of the more significant policies.

1. **Reporting Entity** - As required by generally accepted accounting principles, these financial statements include all funds for which the Authority is financially accountable. The Authority does not have any component units.

The Authority operates under a Board-Executive Director form of government and provides low-income public housing according to the annual contribution contracts approved by the Department of Housing and Urban Development (HUD).

2. **Basis of Presentation**

The accounts of the Authority are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

The Authority has the following proprietary fund:

**Enterprise Fund** - Enterprise funds are used to account for operations, (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the government body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

3. **Measurement Focus and Basis of Accounting**

**Measurement Focus** - Enterprise funds are accounted for on an economic resources measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Enterprise fund type operating statements present increases (revenue) and decreases (expenses) in total net assets.

North Iowa Regional Housing Authority  
Mason City, Iowa  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
September 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Measurement Focus and Basis of Accounting - Continued

Basis of Accounting - Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. Enterprise funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. The Authority has elected pursuant to GASB Statement 20 to apply all GASB pronouncements and only FASB pronouncements issued before November 30, 1989.

A proprietary fund distinguishes operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Authority is rents collected from tenants and operating grants. Operating expenses for a proprietary fund include the cost of operating properties owned, administrative expenses and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

4. Cash Equivalents

For purposes of the statements of cash flows, the Authority considers cash equivalents to include certificates of deposit having an original maturity of three months or less.

5. Investments

The Authority's investments are in time deposits (savings, preferred money market accounts or certificates of deposit) that are stated at fair market value which approximates cost.

6. Accounts Receivable

Accounts receivable-tenants has been shown net of allowance for uncollectible accounts of \$480.

7. Property and Equipment

Property and equipment is stated at cost. The cost of maintenance and repairs that do not add value to assets or materially extend asset lives is not capitalized. The capitalization policy of the Authority is to capitalize fixed assets costing more than \$5,000 and

North Iowa Regional Housing Authority  
Mason City, Iowa  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
September 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

7. Property and Equipment - Continued

expected to last more than one year. Depreciation of all exhaustible property and equipment is charged as an expense against operations. Accumulated depreciation is reported on the Statement of Net Assets. Depreciation is provided for over the estimated useful lives of the assets using the straight-line method. The estimated useful lives are as follows:

Buildings	40 years
Building improvements	5-20 years
Land improvements	5-20 years
Furnishings and equipment	3-10 years

8. Compensated Absences

The Authority allows full payment of unused paid hours off (PHO) at the current rate of pay, up to 65 days, upon retirement or termination of employment.

9. Budgetary Process

North Iowa Regional Housing Authority prepares an annual operating budget with formal board approval prior to the start of its fiscal year. The Department of Housing and Urban Development (HUD) requires the Authority to keep the budget on file and to submit to HUD only the calculation for operating subsidy. The Authority must prepare a revised operating budget only when total expenditures exceed the amount originally budgeted. The revised budget, if needed, is also kept on file at the Authority's office.

10. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

11. Concentration of Revenues

The Authority received approximately 89% of its total operating revenues from the federal government. This revenue is subject to federal government budget appropriations and potential funding reductions.

North Iowa Regional Housing Authority  
Mason City, Iowa  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
September 30, 2008

**NOTE B - CASH AND INVESTMENTS**

Cash and investments as of September 30, 2008, are classified in the accompanying financial statements as follows:

Statement of net assets

Cash and cash equivalents	\$	489,344
Investments		<u>262,840</u>
	\$	<u>752,184</u>

Cash and investments as of September 30, 2008 consist of the following:

	Carrying Amount	Bank Balance
Petty cash	\$ 100	\$ -
Checking and sweep accounts	489,244	547,852
Certificates of deposit	<u>262,840</u>	<u>262,840</u>
	<u>\$ 752,184</u>	<u>\$ 810,692</u>

The Authority's deposits in banks at September 30, 2008 were entirely covered by Federal depository insurance or by the State Sinking fund in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Authority is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Authority; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Authority had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

**NOTE C - DUE FROM/TO OTHER PROGRAMS**

For the Statement of Net Assets, the following individual program receivable and payable balances at September 30, 2008, which are within business-type activities, are netted and eliminated.

Program	Due From	Due To
Owned Housing	\$ 14,065	\$ -
Section 8 Housing Choice Vouchers	-	14,065
Totals	<u>\$ 14,065</u>	<u>\$ 14,065</u>

North Iowa Regional Housing Authority  
Mason City, Iowa  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
September 30, 2008

NOTE D - PROPERTY AND EQUIPMENT

A summary of changes in property and equipment for each program follows:

	Balances 10/1/2007	Additions & Transfers	Removals & Transfers	Balances 9/30/2008
<i>Capital assets not being depreciated</i>				
Land	\$ 915,269	\$ -	\$ -	\$ 915,269
Construction in progress	38,124	251,291	-	289,415
	<u>953,393</u>	<u>251,291</u>	<u>-</u>	<u>1,204,684</u>
<i>Capital assets being depreciated</i>				
Buildings & improvements	5,739,135	158,541	-	5,897,676
Equipment	140,646	4,900	14,212	131,334
Leasehold improvements	4,674	-	-	4,674
	<u>5,884,455</u>	<u>163,441</u>	<u>14,212</u>	<u>6,033,684</u>
Less accumulated depreciation	<u>2,743,182</u>	<u>224,766</u>	<u>12,612</u>	<u>2,955,336</u>
Total capital assets being depreciated, net	<u>3,141,273</u>	<u>(61,325)</u>	<u>1,600</u>	<u>3,078,348</u>
Total capital assets, net	<u>\$ 4,094,666</u>	<u>\$ 189,966</u>	<u>\$ 1,600</u>	<u>\$ 4,283,032</u>

NOTE E - RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors; and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE F - PENSION AND RETIREMENT BENEFITS

The Authority contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost sharing multiple employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits that are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.9% of their annual salary and the Authority is required to contribute 6.05% of annual covered payroll to the plan. Contribution requirements are established by State statute. The Authority's contribution to IPERS for the year ended September 30, 2008 of \$14,133 is equal to the required contribution for the year. The Authority's contributions for the years ended September 30, 2007 and 2006 were \$14,469 and \$14,844 respectively, equal to the required contributions for those years.

**SUPPLEMENTAL INFORMATION**

North Iowa Regional Housing Authority  
Mason City, Iowa  
STATEMENT OF NET ASSETS BY PROGRAM  
September 30, 2008

ASSETS	Public Housing	Section 8 Vouchers	Total
<b>Current assets</b>			
Cash and cash equivalents	\$ 309,737	\$ 179,607	\$ 489,344
Investments	93,992	168,848	262,840
Accounts receivable			
Tenants, net of allowance	804	-	804
Other	2,408	-	2,408
Due from other programs	14,065	-	14,065
Accrued interest	86	1,071	1,157
Deferred charges	5,376	5,001	10,377
<b>Total current assets</b>	426,468	354,527	780,995
<b>Property and equipment, net of accumulated depreciation</b>	4,283,032	-	4,283,032
<b>Total assets</b>	<u>\$ 4,709,500</u>	<u>\$ 354,527</u>	<u>\$ 5,064,027</u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current liabilities</b>			
Accounts payable	\$ 74,095	\$ -	\$ 74,095
Contract retentions	83,953	-	83,953
Tenants security deposits	21,010	-	21,010
Due to other programs	-	14,065	14,065
Accrued liabilities	31,493	12,004	43,497
Deferred credits	2,544	-	2,544
<b>Total current liabilities</b>	213,095	26,069	239,164
<b>Net assets</b>			
Invested in capital assets	4,283,032	-	4,283,032
Restricted	-	316,361	316,361
Unrestricted	213,373	12,097	225,470
<b>Total net assets</b>	4,496,405	328,458	4,824,863
<b>Total liabilities and net assets</b>	<u>\$ 4,709,500</u>	<u>\$ 354,527</u>	<u>\$ 5,064,027</u>

North Iowa Regional Housing Authority  
Mason City, Iowa  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS BY PROGRAM  
Year ended September 30, 2008

	Public Housing	Capital Fund Program	Section 8 Vouchers	Management	Total
<b>Operating revenue</b>					
Rental income	\$ 129,809	\$ -	\$ -	\$ -	\$ 129,809
Intergovernmental	273,062	-	966,328	-	1,239,390
Other	10,945	-	3,492	2,408	16,845
Total operating revenue	413,816	-	969,820	2,408	1,386,044
<b>Operating expense</b>					
Administration	191,472	-	156,634	2,369	350,475
Tenant services	6,316	-	6,254	-	12,570
Utilities	32,759	-	-	-	32,759
Ordinary maintenance and operations	144,145	-	-	39	144,184
General	37,459	-	4,921	-	42,380
Housing assistance payments	-	-	864,888	-	864,888
Depreciation	224,766	-	-	-	224,766
Total operating expense	636,917	-	1,032,697	2,408	1,672,022
Operating income (loss)	(223,101)	-	(62,877)	-	(285,978)
<b>Non-operating revenue</b>					
Interest income	18,364	-	15,423	-	33,787
HUD capital grants	-	335,006	-	-	335,006
	18,364	335,006	15,423	-	368,793
Change in net assets before transfer	(204,737)	335,006	(47,454)	-	82,815
Operating transfer	335,006	(335,006)	-	-	-
Change in net assets	130,269	-	(47,454)	-	82,815
Net assets at October 1, 2007	4,366,136	-	375,912	-	4,742,048
Net assets at September 30, 2008	\$ 4,496,405	\$ -	\$ 328,458	\$ -	\$ 4,824,863

North Iowa Regional Housing Authority  
Mason City, Iowa  
STATEMENT OF CASH FLOWS BY PROGRAM  
Year ended September 30, 2008

	Public Housing	Capital Fund Program	Section 8 Vouchers	Management	Total
<b>Increase (Decrease) in Cash and Cash Equivalents</b>					
<b>Cash flows from operating activities</b>					
Cash received from tenants	\$ 132,641	\$ -	\$ -	\$ -	\$ 132,641
Cash paid to suppliers and landlords	(143,299)	-	(955,696)	(534)	(1,099,529)
Cash paid to employees	(168,558)	-	(79,430)	(1,874)	(249,862)
Grants received from governmental units	273,062	-	915,649	-	1,188,711
Other income received	8,537	-	3,492	2,408	14,437
Net cash provided by (used in) operating activities	102,383	-	(115,985)	-	(13,602)
<b>Cash flows from investing activities</b>					
Net investment (purchases) redemptions	191,021	-	161,400	-	352,421
Interest income received	22,303	-	17,829	-	40,132
Net cash provided by (used in) investing activities	213,324	-	179,229	-	392,553
<b>Cash flows from capital and related financing activities</b>					
Capital expenditures	(395,234)	-	-	-	(395,234)
Net cash received from (paid to) other programs	318,643	(335,006)	16,363	-	-
HUD capital grants received	-	335,006	-	-	335,006
Net cash provided by (used in) capital and related financing activities	(76,591)	-	16,363	-	(60,228)
Net increase (decrease) in cash and cash equivalents	239,116	-	79,607	-	318,723
Cash and cash equivalents at October 1, 2007	70,621	-	100,000	-	170,621
Cash and cash equivalents at September 30, 2008	\$ 309,737	\$ -	\$ 179,607	\$ -	\$ 489,344
<b>Reconciliation of Operating Income (Loss) to Net Cash From Operating Activities</b>					
Operating income (loss)	\$ (223,101)	\$ -	\$ (62,877)	\$ -	\$ (285,978)
Adjustments to reconcile operating income (loss) to net cash from operating activities					
Depreciation	224,766	-	-	-	224,766
(Increase) decrease in accounts receivable	424	-	-	-	424
(Increase) decrease in deferred charges	(3,851)	-	(2,342)	-	(6,193)
Increase (decrease) in accounts payable	88,064	-	-	-	88,064
Increase (decrease) in tenants security deposits	3,122	-	-	-	3,122
Increase (decrease) in accrued liabilities	11,687	-	(87)	-	11,600
Increase (decrease) in deferred credits	1,272	-	(50,679)	-	(49,407)
Total adjustments	325,484	-	(53,108)	-	272,376
Net cash provided by (used in) operating activities	\$ 102,383	\$ -	\$ (115,985)	\$ -	\$ (13,602)

North Iowa Regional Housing Authority  
Mason City, Iowa  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
September 30, 2008

<u>Federal Grantor</u>	<u>Federal C.F.D.A. Number</u>	<u>Accrual Basis Amount</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT - DIRECT		
Public and Indian Housing - Operating Subsidy	14.850	\$ 273,062
Section 8 Housing Choice Voucher Program	14.871 *	966,328
Public Housing Capital Fund Program	14.872	<u>335,006</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE		\$ <u><u>1,574,396</u></u>

\* Denotes Major Program

North Iowa Regional Housing Authority  
Mason City, Iowa  
STATEMENT AND CERTIFICATION OF  
ACTUAL COMPREHENSIVE GRANT COSTS  
Year ended September 30, 2008

The Actual Comprehensive Grant costs are as follows:

	Project Number		
	IA05-P127		
	501-04	501-05	501-06
Funds approved	\$ 198,167	\$ 171,309	\$ 165,374
Funds expended	<u>198,167</u>	<u>171,309</u>	<u>165,374</u>
Excess	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Funds advanced			
Grant funds received	\$ 198,167	\$ 171,309	\$ 165,374
Funds expended	<u>198,167</u>	<u>171,309</u>	<u>165,374</u>
Excess	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

The total costs as shown on the Actual Comprehensive Grant Cost Certificates, dated August and October, 2007 for the Project Numbers stated above and submitted to HUD are in agreement with the Authority's records.

All comprehensive grant costs have been paid and all related liabilities have been discharged through payment.

North Iowa Regional Housing Authority  
Mason City, Iowa  
**FINANCIAL DATA SCHEDULE**  
September 30, 2008

Line Item Number	Account Description	Low Rent Public Housing	Public Housing Capital Fund Program	Section 8 Housing Choice Vouchers	Business Account	Total
111	Cash - unrestricted	288,724	-	-	-	288,724
113	Cash - other restricted	-	-	179,607	-	179,607
114	Cash - tenant security deposits	21,013	-	-	-	21,013
100	Total cash	309,737	-	179,607	-	489,344
125-050	Accounts receivable - other	2,408	-	-	-	2,408
126	Accounts receivable - tenants - dwelling rents	1,284	-	-	-	1,284
126.1	Allowance for doubtful accounts - tenants	(480)	-	-	-	(480)
129	Accrued interest receivable	86	-	1,071	-	1,157
131	Investments - unrestricted	93,992	-	32,094	-	126,086
132	Investments - restricted	-	-	136,754	-	136,754
142	Prepaid expenses and other assets	5,376	-	5,001	-	10,377
144	Interprogram due from	14,065	-	-	-	14,065
150	Total current assets	426,468	-	354,527	-	780,995
161	Land	915,269	-	-	-	915,269
162	Buildings	5,897,676	-	-	-	5,897,676
163	Furniture, equipment and machinery - dwellings	35,850	-	-	-	35,850
164	Furniture, equipment and machinery - administration	95,484	-	-	-	95,484
165	Leasehold improvements	4,674	-	-	-	4,674
166	Accumulated depreciation	(2,955,336)	-	-	-	(2,955,336)
167	Construction progress	289,415	-	-	-	289,415
160	Total fixed assets, net of accumulated depreciation	4,283,032	-	-	-	4,283,032
180	Total noncurrent assets	4,283,032	-	-	-	4,283,032
190	Total assets	4,709,500	-	354,527	-	5,064,027
312	Accounts payable <=90 days	158,048	-	-	-	158,048
321	Accrued wage/payroll taxes payable	8,837	-	4,448	-	13,285
322	Accrued compensated absences current portion	12,765	-	7,556	-	20,321
333	Accounts payable - other government	9,891	-	-	-	9,891
341	Tenant security deposits	21,010	-	-	-	21,010
342	Deferred revenues	2,544	-	-	-	2,544
347	Interprogram due to	-	-	14,065	-	14,065
310	Total current liabilities	213,095	-	26,069	-	239,164
300	Total liabilities	213,095	-	26,069	-	239,164
508.1	Invested in capital assets, net of related debt	4,283,032	-	-	-	4,283,032
511.1	Restricted net assets	-	-	316,361	-	316,361
512.1	Unrestricted net assets	213,373	-	12,097	-	225,470
513	Total equity/net assets	4,496,405	-	328,458	-	4,824,863
600	Total liabilities and equity/net assets	4,709,500	-	354,527	-	5,064,027
70300	Net tenant rental revenue	129,809	-	-	-	129,809
70400	Tenant revenue - other	180	-	-	-	180
70500	Total tenant revenue	129,989	-	-	-	129,989

North Iowa Regional Housing Authority  
Mason City, Iowa  
**FINANCIAL DATA SCHEDULE - CONTINEUD**  
September 30, 2008

Line Item Number	Account Description	Low Rent Public Housing	Public Housing Capital Fund Program	Section 8 Housing Choice Vouchers	Business Account	Total
70600-010	Housing assistance payments	-	-	796,463	-	796,463
70600-020	Ongoing administrative fees earned	-	-	169,865	-	169,865
70600	HUD PHA grants	273,062	-	966,328	-	1,239,390
70610	Capital grants	-	335,006	-	-	335,006
71100-010	Housing assistance payment	-	-	15,063	-	15,063
71100-020	Administrative fee	-	-	360	-	360
71100	Investment income - unrestricted	18,364	-	15,423	-	33,787
71400-010	Housing assistance payment	-	-	1,588	-	1,588
71400-020	Administrative fee	-	-	1,589	-	1,589
71400	Fraud recovery	-	-	3,177	-	3,177
71500	Other revenue	10,765	-	315	2,408	13,488
70000	Total revenue	432,180	335,006	985,243	2,408	1,754,837
91100	Administrative salaries	112,294	-	79,430	1,874	193,598
91200	Auditing fees	9,000	-	9,000	-	18,000
91400	Advertising and marketing	-	-	-	-	-
91500	Employee benefit contributions - administrative	32,836	-	29,046	495	62,377
91600	Office expenses	32,031	-	33,931	-	65,962
91700	Legal expense	3,230	-	3,146	-	6,376
91800	Travel	2,081	-	2,081	-	4,162
91900	Other operating - administrative	-	-	-	-	-
91000	Total operating - administrative	191,472	-	156,634	2,369	350,475
92400	Tenant services - other	6,316	-	6,254	-	12,570
93100	Water	3,160	-	-	-	3,160
93200	Electricity	11,593	-	-	-	11,593
93300	Gas	13,241	-	-	-	13,241
93600	Sewer	4,765	-	-	-	4,765
93000	Total utilities	32,759	-	-	-	32,759
94100	Ordinary maintenance & operations - labor	56,265	-	-	-	56,265
94200	Ordinary maintenance & operations - materials and other	26,509	-	-	39	26,548
94300-010	Ordinary maintenance & operations - contract - garbage and trash removal	5,093	-	-	-	5,093
94300-020	Ordinary maintenance & operations - contract - heating & cooling	5,576	-	-	-	5,576
94300-030	Ordinary maintenance & operations - contract - snow removal contracts	7,708	-	-	-	7,708
94300-040	Ordinary maintenance & operations - contract - elevator maintenance	2,665	-	-	-	2,665
94300-050	Ordinary maintenance & operations - contract - landscape & grounds	15,614	-	-	-	15,614
94300-070	Ordinary maintenance & operations - contract - electrical contracts	1,292	-	-	-	1,292
94300-080	Ordinary maintenance & operations - contract - plumbing contracts	3,906	-	-	-	3,906
94300-100	Ordinary maintenance & operations - contract - janitorial contracts	3,575	-	-	-	3,575
94300-010	Ordinary maintenance & operations - contract - routine maintenance contracts	4,121	-	-	-	4,121
94300-120	Ordinary maintenance & operations - contract - miscellaneous	2,334	-	-	-	2,334
94300	Total ordinary maintenance & operations - contracts	51,884	-	-	-	51,884
94500	Employee benefit contributions - ordinary maintenance	9,487	-	-	-	9,487
94000	Total maintenance	144,145	-	-	39	144,184

North Iowa Regional Housing Authority  
Mason City, Iowa  
**FINANCIAL DATA SCHEDULE - CONTINEUD**  
September 30, 2008

Line Item Number	Account Description	Low Rent Public Housing	Public Housing Capital Fund Program	Section 8 Housing Choice Vouchers	Business Account	Total
96110	Property insurance	20,147	-	335	-	20,482
96120	Liability insurance	1,012	-	2,589	-	3,601
96130	Workmen's compensation	3,966	-	1,997	-	5,963
96140	All other insurance	100	-	-	-	100
96100	Total insurance premiums	25,225	-	4,921	-	30,146
96200	Other general expenses	1,043	-	-	-	1,043
96300	Payments in lieu of taxes	9,891	-	-	-	9,891
96400	Bad debt - tenant rents	1,300	-	-	-	1,300
96000	Total other general expenses	37,459	-	4,921	-	42,380
96900	Total operating expenses	412,151	-	167,809	2,408	582,368
970	Excess operating revenue over operating expenses	20,029	335,006	817,434	-	1,172,469
973	Housing assistance payments	-	-	864,888	-	864,888
974	Depreciation expense	224,766	-	-	-	224,766
900	Total expenses	636,917	-	1,032,697	2,408	1,672,022
10010	Operating transfer in	335,006	-	-	-	335,006
10020	Operating transfer out	-	(335,006)	-	-	(335,006)
1000	Excess (deficiency) of operating revenue over (under) expenses	130,269	-	(47,454)	-	82,815
1103	Beginning equity	4,366,136	-	375,912	-	4,742,048
1120	Unit months available	1,452	-	4,596	-	6,048
1121	Number of unit months leased	1,383	-	3,571	-	4,954
1117	Administrative fee equity	-	-	12,097	-	12,097
1118	Housing assistance payments equity	-	-	316,361	-	316,361

**OTHER REPORTS**

**TOSTRUD  
&**

**TEMP, S.C.**

Certified Public Accountants

201 Main Street, Suite 210  
La Crosse, WI 54601  
Phone: 608-784-8060  
Fax: 608-784-8167

***Your Business Safety Net***

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Commissioners  
North Iowa Regional Housing Authority  
Mason City, Iowa

We have audited the financial statements of the North Iowa Regional Housing Authority as of and for the year ended September 30, 2008, and have issued our report thereon dated June 5, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information of the Authority's management, and the board of commissioners and grantor agencies. However, this report is a matter of public record and its distribution is not limited.

*Testrud & Temp, S.C.*

June 5, 2009

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*Your Business Safety Net*

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO MAJOR PROGRAMS AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH  
OMB CIRCULAR A-133

Board of Commissioners  
North Iowa Regional Housing Authority  
Mason City, Iowa

**Compliance**

We have audited the compliance of the North Iowa Regional Housing Authority ("Authority") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended September 30, 2008. The Authority's major federal program is identified in the Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2008.

## Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the governing board, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Tostlund & Temp, S.C.*

June 5, 2009

North Iowa Regional Housing Authority  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year ended September 30, 2008

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness identified? ☐ yes ☒ no

Significant deficiency(ies) identified not considered to be material weaknesses? ☐ yes ☒ none reported

Noncompliance material to the financial statements? ☐ yes ☒ no

Federal Awards

Internal control over financial reporting:

Material weakness identified? ☐ yes ☒ no

Significant deficiency(ies) identified not considered to be material weaknesses? ☐ yes ☒ none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133 Section .510(1)? ☐ yes ☒ no

Identification of major federal program:

CFDA Number	Name of Federal Program or Cluster
14.871	Section 8 Housing Choice Voucher Program

Dollar threshold used to distinguish between Type A and Type B programs \$300,000

Auditee qualified as a low-risk auditee? ☐ yes ☒ no

Section II - Financial Statement Findings

NONE

Section III - Federal Findings and Questioned Costs

NONE

North Iowa Regional Housing Authority  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED  
Year ended September 30, 2008

Status of Prior Audit Findings

The prior findings were as follows:

- III-07-01      Failed Inspection Not Corrected According to Agency Plan.  
Inspections were failed for other than life threatening reasons. The repairs were not corrected within ten days. The Authority is allowing up to 30 days to make the required repairs.
- Action taken: The Administrative Plan of the Authority has been changed to reflect the actual operation of the Authority within HUD guidelines.
- Status:          Finding closed.
- III-07-02      Utility Allowances Were Not Timely Updated. The Authority did not update its utility allowances in a timely manner. Utility allowances were last updated July 1, 2006.
- Action taken: Utility allowances were updated during the fiscal year and are scheduled to be reviewed at least every 12 months.
- Status:          Finding closed.
- III-07-03      Comparables. Several of the files tested used comparables that used inappropriate types of housing (duplex vs. apartment) or units in inappropriate geographical locations (resort/lake area vs. small rural). This resulted in rents being as much as 22-40% higher than the units selected as comparables. In addition, the tenant unit was selected as a comparable in two instances.
- Action taken: The housing specialists have been reminded of the need for the units selected as comparable to be similar in locations, type of unit and amenities and different than the unit being rented by the tenant. The files tested in the current audit were complete with no findings.
- Status:          Finding closed.
- III-07-04:      Waiting List. Staff is unable to locate the waiting list records for the period December 11, 2004 to June 20, 2005.
- Action taken: The Authority continues to maintain the waiting list in the HAPPY program and maintains adequate records of the selection process.
- Status:          Finding closed.
- III-07-05      Life Threatening Deficiencies Not Corrected. Inspections showed that two tenant units selected for testing did not have adequate working fire alarms. There is no documentation in the file that the fire alarms were repaired or replaced within 24 hours. Both instances show appropriate fire alarms at the time of the required re-inspection of the units.

North Iowa Regional Housing Authority  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED  
Year ended September 30, 2008

Status of Prior Audit Findings - Continued

Action taken: Housing inspectors were reminded of the need to follow up on the correction of life threatening deficiencies in their inspections.

Status: Finding closed.

III-07-06      Incorrect Utility Allowance Computations. Housing specialists used utilities paid by the landlord as tenant expenses when computing the utility allowance. The lease and the Request for Tenancy correctly showed the utilities as being paid by the landlord.

Action taken: The housing specialists have been reminded to review their work prior to submission to HUD. They also will review the utility payment responsibilities in the prior year with the current year. The files tested in the current audit were complete with no findings.

Status: Finding closed.

III-07-07      Comparability Discrepancies. The Administrative Plan includes Section XI that addresses reasonableness and comparability of rents. The Administrative Plan states that reasonable rents will be based on a market survey and the condition and amenities in the unit and previous rent charged for the dwelling. This section also states that the Authority will establish minimum base rents for each class and size of unit to which the Authority will add or subtract a dollar value for each different amenity. The Authority does not follow this method of determining comparability and, per the housing specialist, never has. In practice, similar units within the eight-county area are selected for comparative purposes.

Action taken: The Administrative Plan has been updated and compared to the actual procedures being used by the Authority. All staff members will be briefed on the Administrative Plan as it reflects on their job.

Status: Finding closed.

III-07-08      Inappropriate Computation of Tenant Income. Housing specialists used inappropriate periods to project anticipated child support income for the next 12 months, incorrectly included total college scholarships in family income when it should have been excluded, and used inappropriate values for assets (oil well interests) in determining income from assets.

Action taken: Housing specialists have been reminded of the need to use appropriate methods of determining anticipated income for the next 12 months. They also are to consult with others in the office when they encounter situations they are not familiar with.

Status: Finding closed      -34-